

# IT IS IT! CANADA REMOVES TARIFFS ON HIGH TECH IMPORTS

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As of July 1, 2016, Canada has removed tariffs on imports of 54 high tech goods. It has undertaken to phase out all customs duties on another 49 items over the next three years. The duty removal extends to a range of information technology and communications equipment.

The removal of customs duties on 201 high tech products was part of agreed updates to the *Information Technology Agreement ("ITA")* at the World Trade Organization ("WTO"). Fifty three WTO members encompassing 82 countries and customs territories have agreed to eliminate tariffs immediately, or over the next three years. Major trading partners that have also agreed to duty removal include China, South Korea, Japan, the United States and all countries of the European Union.

The *ITA* entered into force in 1997 with 29 participants. The number of participants have since grown to 82 countries or customs territories that the WTO reports as representing 97% of world trade in information technology products. In December of 2015, delegates at the Nairobi Ministerial Conference agreed to expand the *ITA* to cover an additional 201 products with an estimated value exceeding CDN\$1.6 trillion in global trade per year.

The appendices under the *ITA* listing all 201 products may be found [here](#). Attachment A provides a listing of products at the 6-digit harmonized code sub-headings that are covered by the Agreement. Attachment B provides a listing of composite products that are physically described since they might be differently classified by different countries.

Canada has generally had relatively low tariffs on *ITA* products, though tariffs as high as 8% have been reduced to zero as of July 1st. Almost half of the 201 listed IT products were already eligible for duty-free access to the Canadian market. A full listing of the tariff items affected and new duty rates may be found at:

<http://www.gazette.gc.ca/rp-pr/p2/2016/2016-07-13/html/sor-dors197-eng.php> [SOR/2016-197].

While the removal of these duties will be a benefit to Canadian importers, the Minister of International Trade identified a range of information and communication technology product tariff reductions through the *ITA* that will be beneficial to Canadian exporters. The products listed by Ms. Freeland include: flight simulators, audiovisual products and parts, semi-conductors and electronic integrated circuits, telecommunications

products, software, media storage devices, radar apparatus, video-game consoles, medical devices and navigational equipment. The liberalization of markets worldwide could prove to be of particular benefit for Canadian exporters to Asian markets, where import duties have traditionally been higher than for many other trading partners.

Canadian exporters should be aware that tariff classifications may differ between countries. While the International Harmonized System Code sets out a standardized system for the first six digits of tariff classification, individual countries may add up to four additional digits for their own internal customs regulations and statistical purposes. Also, as noted above, individual countries may have a different approach to classifying compound goods. Accordingly, Canadian exporters should confirm the appropriate tariff classification that is to be applied in the destination country.

Despite the removal of tariff barriers, Canadian exporters should ensure that specific products for export or their intended destinations do not run afoul of Canadian sanctions or other export controls.

by Geoffrey C. Kubrick

#### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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